

## Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 EB-11 COME-00 AGR-20 TRSE-00 CIAE-00

INR-10 NSAE-00 RSC-01 AID-20 OPIC-12 CIEP-02 OMB-01

RSR-01 /093 W

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R 090845Z JUL 73

FM AMEMBASSY SINGAPORE

TO AMEMBASSY KUALA LUMPUR

INFO SECSTATE WASHDC 9076

AMEMBASSY TOKYO

C O N F I D E N T I A L SINGAPORE 2731

E.O. 11652: ADS, DECLAS 1-6-74

TAGS: EAID

SUBJECT: JAPANESE SYNTHETIC RUBBER INVESTMENT IN SINGAPORE

REF: KUALA LUMPUR 2956

1. EMBOFF DISCUSSED POSSIBILITY JAPANESE INVESTMENT  
SYNTHETIC RUBBER MANUFACTURING IN SINGAPORE WITH EDB  
DIRECTOR P.Y. HWANG. HWANG SAID THERE IS NO SYNTHETIC  
RUBBER PROJECT IN PIPELINE. SINGAPORE IS LOOKING AT  
FEASIBILITY OF ENTIRE RANGE OF PETROCHEMICALS AND HAS  
BEEN DISCUSSING LARGE PETROCHEMICAL INVESTMENT WITH  
JAPANESE FOR NUMBER OF YEARS. THESE INVESTIGATIONS  
INCLUDE SYNTHETIC RUBBER ALONG WITH NUMEROUS OTHER  
PETROCHIMICAL PRODUCTS. HWANG SAID HE AWARE OF  
SENSITIVITIES OF MALAYSIANS ON THIS SUBJECT BUT THAT  
TAIWDFNAE ACTIVELY PROMOTED INVESTMENT IN SYNTHETIC  
RUBBER AND THAT IF SUCH AN INVESTMENT IN SINGAPORE  
COULD PRODUCE SYNTHETIC RUBBER AT PRICE SIGNIFICANTLY  
BELOW NATURAL RUBBER, SINGAPORE WOULD HAVE TO SERIOUSLY  
CONSIDER IT. IT WOULD IN ANY CASE "BE A LONG WAY OFF,"  
HE ADDED. IN SPITE OF HWANG'S "AWARENESS" OF SENSITIVITIES,  
EDB APPEARS TO BE MORE SENSITIVE TO ECONOMIC COSTS  
AND BENEFITS THAN TO POLITICAL COSTS AND BENEFITS.

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2. EMBASSY HAS ALSO TALKED WITH JAPANESE DCM ODAKA WHO DESCRIBED AS FALSE ANY REPORT THAT JAPANESE ARE PLANNING INVESTMENT IN SYNTHETIC RUBBER PLANT IN SINGAPORE, REFERRING TO RECENT ASEAN DECLARATIONS ON SYNTHETIC RUBBER AND SENSITIVITY OF SUBJECT IN SEA. HE ACKNOWLEDGED THAT SERIOUS TALKS WITH GOS ON PETROCHEMICAL PROJECT HERE ARE CONTINUING, AND SAID THAT JAPANESE FEASIBILITY STUDY TEAM WILL VISIT IN A FEW MONTHS. HOWEVER, HE FELT SYNTHETIC RUBBER PRODUCTION AS PART OF A PETROCHEMICAL COMBINE WAS OUT OF THE QUESTION.

3. COMMENT. IT IS DIFFICULT TO ACCEPT THAT GOS COULD BE CONSIDERING SYNTHETIC PLANT WHEN SYNTHETIC PRODUCTION IS OF SUCH SERIOUS AND SENSITIVE NATURE TO ITS ASEAN PARTNERS. HOWEVER GOS, AND EDB IN PARTICULAR, ARE RUN LARGELY IN HARD-HEADED, AGGRESSIVE, CHINESE BUSINESSMAN STYLE, AND IT IS PROBABLY DIFFICULT TO PASS UP WILLINGLY WHAT MIGHT APPEAR TO BE A PROFITABLE BUSINESS DEAL. ANY FINAL DECISION WOULD NOT BE MADE BY EDB BUT AT MUCH HIGHER POLITICAL LEVEL WHERE ITS ASEAN NEIGHBOR CBEWS WOULD BE GIVEN FULL WEIGHT AND APPRECIATION. MOST LIKELY INTERPRETATION OF PRESENT AND STUDY OF WHERE TO GO IN PETROCHEMICAL FIELD. FINAL DECISION PROBABLY IS SEVERAL FEASIBILITY STUDIES AND TENS OF MILLIONS OF DOLLARS AWAY AND AT THIS EARLY STAGE GOS IS NOT RULING OUT ANYTHING.

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